

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2020**

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**Hampton-Dumont Community School District  
Board of Education and School Officials  
As of June 30, 2020**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education</b>		
Chad Hanson	President	September, 2021
Erran Miller	Vice President	September, 2023
Tom Birdsell	Board Member	September, 2023
Mark Morrison	Board Member	September, 2023
Jeff Rosenberg	Board Member	September, 2021
Steve Severs	Board Member	September, 2023
Stephanie Powers	Board Member	September, 2021
<b>School Officials</b>		
Todd Lettow	Superintendent	Indefinite
Lisa Lewis	District Treasurer and Business Manager	Indefinite
Amanda Heiden	District Secretary	Indefinite

### Independent Auditor's Report

To the Board of Education  
Hampton-Dumont Community School District:  
Hampton, Iowa

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its

cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 15 to the financial statements, Hampton-Dumont Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. My opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require management's discussion and analysis, the budgetary comparison information, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions and the schedule of changes in the District's total OPEB liability, related ratios and notes on pages 5 through 13 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

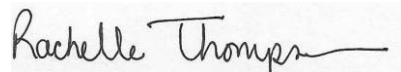
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2019 (which is not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the nine years ended June 30, 2018 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 49 through 57, including the schedule of expenditures of federal awards required by Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the United States of

America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated May 11, 2021 on my consideration of Hampton-Dumont Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hampton-Dumont Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachelle Thompson" followed by a horizontal flourish.

Rachelle K. Thompson, CPA  
Hampton, Iowa

May 11, 2021

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Hampton-Dumont Community School District provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2020 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, *Fiduciary Activities*, during fiscal year 2020. The beginning net position for fiduciary (custodial) funds was restated by \$12,707 to retroactively report fiduciary funds in accordance with the GASBS.
- General Fund revenue increased from \$15,366,035 in fiscal year 2019 to \$15,624,628 in fiscal year 2020, while General Fund expenditures decreased from \$16,074,388 in fiscal year 2019 to \$15,965,301 in fiscal year 2020. The District's General Fund balance decreased from \$1,734,072 at the end of fiscal year 2019 to \$1,393,399 at the end of fiscal year 2020, a 19.6% decrease.
- The fiscal year 2020 General Fund revenue increase was attributable mainly to increases in local tax and state aid, and the District also received \$271,000 in COVID monies. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits and restricted grant expenditures. In addition, all District buildings were vacant from March 15, 2020 thru the end of the fiscal year. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal year 2020. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings decreasing from \$94,023 to \$44,442 in the District.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Hampton-Dumont Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of changes in the District's total OPEB liability, related ratios and notes.

Supplementary information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### ***Government-Wide Financial Statements***

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.



The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's internal service fund is used to account for health insurance benefits.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include a private-purpose trust and custodial funds.
- Private-Purpose Trusts Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Custodial Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

**Figure A-1  
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2020-2019
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 11,556,757	\$ 12,426,315	\$ 262,917	\$ 125,114	\$ 11,819,674	\$ 12,551,429	-5.8%
Capital assets	15,587,381	15,856,274	40,066	51,366	15,627,447	15,907,640	-1.8%
<b>Total Assets</b>	<b>27,144,138</b>	<b>28,282,589</b>	<b>302,983</b>	<b>176,480</b>	<b>27,447,121</b>	<b>28,459,069</b>	<b>-3.6%</b>
<b>Deferred Outflows of Resources</b>	<b>2,046,566</b>	<b>2,325,871</b>	<b>63,297</b>	<b>75,465</b>	<b>2,109,863</b>	<b>2,401,336</b>	<b>-12.1%</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 29,190,704</b>	<b>\$ 30,608,460</b>	<b>\$ 366,280</b>	<b>\$ 251,945</b>	<b>\$ 29,556,984</b>	<b>\$ 30,860,405</b>	<b>-4.2%</b>
Long-term liabilities	\$ 13,287,874	\$ 15,049,034	\$ 311,883	\$ 28,074	\$ 13,599,757	\$ 15,077,108	-9.8%
Other liabilities	2,486,664	2,359,938	101,007	305,658	2,587,671	2,665,596	-2.9%
<b>Total Liabilities</b>	<b>15,774,538</b>	<b>17,408,972</b>	<b>412,890</b>	<b>333,732</b>	<b>16,187,428</b>	<b>17,742,704</b>	<b>-8.8%</b>
<b>Deferred Inflows of Resources</b>	<b>6,643,917</b>	<b>6,007,239</b>	<b>36,130</b>	<b>18,559</b>	<b>6,680,047</b>	<b>6,025,798</b>	<b>10.9%</b>
<b>Net Position</b>							
Net investment in capital assets	12,344,037	11,543,214	40,066	51,366	12,384,103	11,594,580	6.8%
Restricted	2,220,321	2,148,709	-	-	2,220,321	2,148,709	3.3%
Unrestricted	(7,792,109)	(6,499,674)	(122,806)	(151,712)	(7,914,915)	(6,651,386)	19.0%
<b>Total Net Position</b>	<b>6,772,249</b>	<b>7,192,249</b>	<b>(82,740)</b>	<b>(100,346)</b>	<b>6,689,509</b>	<b>7,091,903</b>	<b>-5.7%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 29,190,704</b>	<b>\$ 30,608,460</b>	<b>\$ 366,280</b>	<b>\$ 251,945</b>	<b>\$ 29,556,984</b>	<b>\$ 30,860,405</b>	<b>-4.2%</b>

The District's total net position decreased 5.7%, or approximately \$402,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased

approximately \$72,000, or 3.3%, over the prior year. The increase was primarily a result of an increase in restricted funds held for management levy.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$1,264,000, or 19.0%. This reduction in unrestricted net position was primarily a result of the increase in the District's total IPERS liability.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

**Figure A-2  
CHANGES IN NET POSITION**

	<b>Governmental Activities June 30,</b>		<b>Business- Type Activities June 30,</b>		<b>Total District June 30,</b>		<b>Total Percentage Change June 30, 2020-2019</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	
<b>Revenue</b>							
Program Revenue							
Charges for service	\$ 1,924,680	\$ 2,073,922	\$ 193,936	\$ 239,515	\$ 2,118,616	\$ 2,313,437	-8.4%
Operating grants and contributions	2,686,721	2,592,130	687,697	632,731	3,374,418	3,224,861	4.6%
General Revenue							
Property tax	5,492,425	5,520,595	-	-	5,492,425	5,520,595	-0.5%
Instructional support surtax	156,809	163,081	-	-	156,809	163,081	-3.8%
Statewide sales, services and use tax	1,234,332	1,230,342	-	-	1,234,332	1,230,342	0.3%
Unrestricted state grants	6,760,616	6,770,582	-	-	6,760,616	6,770,582	-0.1%
Unrestricted investment earnings	42,896	92,243	1,546	1,780	44,442	94,023	-52.7%
Other	138,065	151,615	-	-	138,065	151,615	-8.9%
<b>Total Revenue</b>	<b>18,436,544</b>	<b>18,594,510</b>	<b>883,179</b>	<b>874,026</b>	<b>19,319,723</b>	<b>19,468,536</b>	<b>-0.8%</b>
<b>Program Expenses</b>							
Instruction	13,093,198	12,789,039	-	-	13,093,198	12,789,039	2.4%
Support services	5,098,480	4,887,928	-	-	5,098,480	4,887,928	4.3%
Noninstructional programs	-	-	865,573	841,958	865,573	841,958	2.8%
Other expenses	691,431	743,105	-	-	691,431	743,105	-7.0%
<b>Total Program Expenses</b>	<b>18,883,109</b>	<b>18,420,072</b>	<b>865,573</b>	<b>841,958</b>	<b>19,748,682</b>	<b>19,262,030</b>	<b>2.5%</b>
<b>Change in Net Position</b>	<b>(446,565)</b>	<b>174,438</b>	<b>17,606</b>	<b>32,068</b>	<b>(428,959)</b>	<b>206,506</b>	<b>-307.7%</b>
Net Position - Beginning of Year - As Restated	7,192,249	7,017,811	(100,346)	(132,414)	7,091,903	6,885,397	3.0%
<b>Net Position - End of Year</b>	<b>\$ 6,745,684</b>	<b>\$ 7,192,249</b>	<b>\$ (82,740)</b>	<b>\$ (100,346)</b>	<b>\$ 6,662,944</b>	<b>\$ 7,091,903</b>	<b>-6.0%</b>

In fiscal year 2020, property tax and unrestricted state grants accounted for 74.0% of governmental activities revenues while charges for service and operating grants and contributions accounted for 99.8% of business type activities revenue. The District's total revenue was approximately \$19.3

million, of which approximately \$18.4 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 0.8% decrease in revenue and a 2.5% increase in expenses. The decrease in revenue was primarily due to a decrease in charges for services and a decrease in interest rates which decreased investment income. The increase in expenses is primarily related to increases in negotiated salaries and related benefits.

### Governmental Activities

Revenue for governmental activities was \$18,436,544 and expenses were \$18,883,109 for the year ended June 30, 2020.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to those expenses for the year ended June 30, 2019.

**Figure A-3  
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services			Net Cost of Services		
	2020	2019	Percentage Change 2020-2019	2020	2019	Percentage Change 2020-2019
Instruction	\$ 13,093,198	\$ 12,789,039	2.4%	\$ 9,193,657	\$ 8,892,434	3.4%
Support services	5,098,480	4,887,928	4.3%	4,951,830	4,677,591	5.9%
Other expenses	691,431	743,105	-7.0%	126,221	183,995	-31.4%
<b>Total</b>	<b>\$ 18,883,109</b>	<b>\$ 18,420,072</b>	<b>2.5%</b>	<b>\$ 14,271,708</b>	<b>\$ 13,754,020</b>	<b>3.8%</b>

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$1,924,680.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,686,721.
- The net cost of governmental activities was financed with \$6,883,566 of property and other taxes, \$6,760,616 of unrestricted state grants, \$42,896 in unrestricted investment earnings and \$138,065 in other revenue.

### Business Type Activities

Revenue for business type activities during the year ended June 30, 2020 was \$883,179, representing a 1.0% increase over the prior year, while expenses totaled \$865,573, a 2.8% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenue of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2020, the District had an increase in the number of students receiving free or reduced price lunches. This resulted in an increase in federal reimbursements for the student meal program.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,550,160, compared to last year's ending fund balances of \$3,779,370. The decrease in combined fund balances at the end of fiscal year 2020 is \$229,210 or 6.1%

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,734,072 as of the end of fiscal year 2019 to \$1,393,399 as of the end of fiscal year 2020.
- The Debt Service Fund balance increased from \$79,637 at the end of fiscal year 2019 to \$87,530 at the end of fiscal year 2020. Revenue and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance increased from \$1,224,119 as of the end of fiscal year 2019 to \$1,267,520 as of the end of fiscal year 2020. This increase was primarily due to the completion of North Side and South Side building projects in fiscal year 2019.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from (\$100,346) as of June 30, 2019 to (\$82,740) as of June 30, 2020, an increase of approximately 17.5%. The increase was largely a result of the whole grade sharing with CAL Community School District.

## **BUDGETARY HIGHLIGHTS**

The Districts total revenue was \$118,439 more than total budgeted revenue, a variance of 0.6%.

Total expenditures were less than budgeted by \$158,534, a variance of 0.8%.

In spite of the District's budgetary practice, expenditures in the instruction functional area exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2020, the District had invested \$15,627,447, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-4) This represents a net decrease of 1.8% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$699,949.

The original cost of the District's capital assets was \$24,298,306. Governmental funds account for \$24,041,517, with the remainder of \$256,789 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-4**  
**CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total District		Total
	June 30,		June 30,		June 30,		Percentage
	2020	2019	2020	2019	2020	2019	Change
							2020-2019
Land	\$ 236,668	\$ 236,668	\$ -	\$ -	\$ 236,668	\$ 236,668	0.0%
Buildings and improvements	14,314,273	14,625,894	-	-	14,314,273	14,625,894	-2.1%
Furniture and equipment	1,036,440	993,712	40,066	51,366	1,076,506	1,045,078	3.0%
<b>Total</b>	<b>\$ 15,587,381</b>	<b>\$ 15,856,274</b>	<b>\$ 40,066</b>	<b>\$ 51,366</b>	<b>\$ 15,627,447</b>	<b>\$ 15,907,640</b>	<b>-1.8%</b>

### Long-Term Debt

As of June 30, 2020, the District had \$2,958,756 of total long-term debt outstanding. This represents a decrease of 38.6% over last year. This decrease was the result of scheduled debt payments made and the bond company withdrew the fiscal year 2021 revenue bond payment prior to July 1, 2020. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$21 million.

**Figure A-5**  
**OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District		Total
	June 30,		Percentage
	2020	2019	Change
			2020-2019
General obligation bonds	\$ 1,980,000	\$ 2,450,000	-19.2%
Unamortized bond premium	22,343	27,930	-20.0%
Revenue bonds	641,000	1,827,000	-64.9%
Lease purchase obligation	315,413	512,783	-38.5%
<b>Total</b>	<b>\$ 2,958,756</b>	<b>\$ 4,817,713</b>	<b>-38.6%</b>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware that low supplemental state aid could significantly affect its financial health in the future.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer and Business Manager, Hampton-Dumont Community School District, 601 – 12<sup>th</sup> Avenue NE, Hampton, Iowa, 50441.

## **Basic Financial Statements**



**Hampton-Dumont Community School District**

# Statement of Net Position

As of June 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 4,715,639	\$ 133,049	\$ 4,848,688
Receivables, Net of Allowance for Uncollectible Amounts			
Property Taxes			
Current year delinquent	82,277	-	82,277
Succeeding year	5,475,734	-	5,475,734
Accounts	23,291	104,331	127,622
Due from other governments	1,254,349	-	1,254,349
Inventories and prepaid expenses	5,467	25,537	31,004
Capital assets, net of accumulated depreciation	15,587,381	40,066	15,627,447
<b>Total Assets</b>	<b>27,144,138</b>	<b>302,983</b>	<b>27,447,121</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	1,762,066	54,497	1,816,563
OPEB related deferred outflows	284,500	8,800	293,300
<b>Total Deferred Outflows of Resources</b>	<b>2,046,566</b>	<b>63,297</b>	<b>2,109,863</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 29,190,704</b>	<b>\$ 366,280</b>	<b>\$ 29,556,984</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 565,800	\$ 75,067	\$ 640,867
Salaries and benefits payable	1,651,253	12,032	1,663,285
Advances from grantors	269,611	-	269,611
Unearned revenue	-	13,908	13,908
<b>Long-Term Liabilities</b>			
Portion Due Within One Year			
General obligation bonds, net of unamortized premium	485,586	-	485,586
Lease purchase obligation	157,706	-	157,706
Early retirement	65,000	-	65,000
Portion due after one year			
General obligation bonds, net of unamortized premium	1,516,758	-	1,516,758
Revenue bonds	641,000	-	641,000
Lease purchase obligation	157,707	-	157,707
Early retirement	199,757	-	199,757
Net pension liability	7,489,690	232,253	7,721,943
Total OPEB Liability	2,574,670	79,630	2,654,300
<b>Total Liabilities</b>	<b>15,774,538</b>	<b>412,890</b>	<b>16,187,428</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	5,475,734	-	5,475,734
Pension-related deferred inflows	1,113,378	34,434	1,147,812
OPEB-related deferred inflows	54,805	1,696	56,501
<b>Total Deferred Inflows of Resources</b>	<b>6,643,917</b>	<b>36,130</b>	<b>6,680,047</b>
<b>Net Assets</b>			
Net investment in capital assets	12,344,037	40,066	12,384,103
Restricted for:			
Categorical funding	75,474	-	75,474
Debt service	75,616	-	75,616
School infrastructure	1,135,588	-	1,135,588
Physical plant and equipment	131,932	-	131,932
Management levy purposes	628,986	-	628,986
Student activities	172,725	-	172,725
Unrestricted	(7,792,109)	(122,806)	(7,914,915)
<b>Total Net Position</b>	<b>6,772,249</b>	<b>(82,740)</b>	<b>6,689,509</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 29,190,704</b>	<b>\$ 366,280</b>	<b>\$ 29,556,984</b>

See accompanying notes to the financial statements.

**Statement of Activities**

Year Ended June 30, 2020

		Program Revenue		Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants & Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental Activities						
Instruction						
Regular	\$ 8,213,786	\$ 1,084,164	\$ 2,042,559	\$ (5,087,063)	\$ -	\$ (5,087,063)
Special	2,319,444	321,079	59,213	(1,939,152)	-	(1,939,152)
Other	2,559,968	373,625	18,901	(2,167,442)	-	(2,167,442)
Total Instruction	13,093,198	1,778,868	2,120,673	(9,193,657)	-	(9,193,657)
Support Services						
Student	530,363	11,836	-	(518,527)	-	(518,527)
Instructional staff	606,571	-	-	(606,571)	-	(606,571)
Administration	1,776,996	100,642	-	(1,676,354)	-	(1,676,354)
Operation and maintenance of plant	1,212,689	-	-	(1,212,689)	-	(1,212,689)
Transportation	971,861	33,334	838	(937,689)	-	(937,689)
Total Support Services	5,098,480	145,812	838	(4,951,830)	-	(4,951,830)
Other Expenditures						
Long-term debt interest and fiscal charges	44,841	-	-	(44,841)	-	(44,841)
AEA flowthrough	565,210	-	565,210	-	-	-
Depreciation - unallocated*	81,380	-	-	(81,380)	-	(81,380)
Total Other Expenditures	691,431	-	565,210	(126,221)	-	(126,221)
Total Governmental Activities	18,883,109	1,924,680	2,686,721	(14,271,708)	-	(14,271,708)
Business-Type Activities						
Noninstructional programs						
Food service operations	865,573	193,936	687,697		16,060	16,060
Total	\$ 19,748,682	\$ 2,118,616	\$ 3,374,418	(14,271,708)	16,060	(14,255,648)
General Revenue (Expense)						
Property tax levied for						
General purposes				4,243,033	-	4,243,033
Management levy				299,707	-	299,707
Debt service				519,657	-	519,657
Capital outlay				430,028	-	430,028
Instructional support surtax				156,809	-	156,809
Statewide sales and services tax				1,234,332	-	1,234,332
Unrestricted state grants				6,760,616	-	6,760,616
Unrestricted investment earnings				42,896	1,546	44,442
Other				138,065	-	138,065
Total General Revenue				13,825,143	1,546	13,826,689
Change in Net Position				(446,565)	17,606	(428,959)
Net Position - Beginning of Year				7,192,249	(100,346)	7,091,903
Net Position - End of Year				\$ 6,745,684	\$ (82,740)	\$ 6,662,944

\*This amount excludes the depreciation included in the direct expenses of the various programs

See accompanying notes to the financial statements.

## Balance Sheet – Governmental Funds

As of June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 2,727,595	\$ 80,746	\$ 530,513	\$ 841,493	\$ 4,180,347
Receivables, Net of Allowance for Uncollectible Amounts					
Property Tax					
Current year delinquent	66,415	7,084	5,853	2,925	82,277
Succeeding year	4,520,246	523,627	431,861	-	5,475,734
Accounts	227	-	18,046	4,928	23,201
Prepaid payment	-	-	611,914	-	611,914
Due from other governments	1,150,401	-	103,948	-	1,254,349
<b>Total Assets</b>	<b>\$ 8,464,884</b>	<b>\$ 611,457</b>	<b>\$ 1,702,135</b>	<b>\$ 849,346</b>	<b>\$ 11,627,822</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 475,136	\$ 300	\$ 2,754	\$ 47,635	\$ 525,825
Salaries and benefits payable	1,651,253	-	-	-	1,651,253
Advances from grantors	269,611	-	-	-	269,611
<b>Total Liabilities</b>	<b>2,396,000</b>	<b>300</b>	<b>2,754</b>	<b>47,635</b>	<b>2,446,689</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue					
Succeeding year property tax	4,520,246	523,627	431,861	-	5,475,734
Instructional support surtax	155,239	-	-	-	155,239
<b>Total Deferred Inflows of Resources</b>	<b>4,675,485</b>	<b>523,627</b>	<b>431,861</b>	<b>-</b>	<b>5,630,973</b>
<b>Fund Balances</b>					
Restricted for:					
Categorical funding	-	-	-	-	-
Debt service	-	87,530	-	-	87,530
School infrastructure	-	-	1,135,588	-	1,135,588
Physical plant and equipment	-	-	131,932	-	131,932
Student activities	-	-	-	172,725	172,725
Management levy purposes	-	-	-	628,986	628,986
Unassigned	1,393,399	-	-	-	1,393,399
<b>Total Fund Balances</b>	<b>1,393,399</b>	<b>87,530</b>	<b>1,267,520</b>	<b>801,711</b>	<b>3,550,160</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,464,884</b>	<b>\$ 611,457</b>	<b>\$ 1,702,135</b>	<b>\$ 849,346</b>	<b>\$ 11,627,822</b>

See accompanying notes to the financial statements.

# Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

As of June 30, 2020

**Total Fund Balances for Governmental Funds (Page 16) .....** **\$ 3,550,160**

## ***Amounts reported for governmental activities in the Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 15,587,381

An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position ..... 500,874

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (11,914)

Instructional support surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds ..... 155,239

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Pension-related deferred outflows of resources .....	\$ 1,762,066	
Pension-related deferred inflows of resources.....	(1,113,378)	
OPEB-related deferred outflows of resources .....	284,500	
OPEB-related deferred inflows of resources.....	<u>(54,805)</u>	878,383

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds, as follows:

General obligation bonds, net of unamortized premium....	\$ (2,002,344)	
Revenue notes.....	(1,241,000)	
Lease purchase obligation .....	(315,413)	
Early retirement.....	(291,322)	
Net pension liability .....	(7,489,690)	
Net OPEB liability .....	<u>(2,574,670)</u>	<u>(13,914,439)</u>

**Net Position of Governmental Activities (Page 14) .....** **\$ 6,745,684**

See accompanying notes to the financial statements.

# Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

As of June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenue</b>					
Local Sources					
Local tax	\$ 4,407,684	\$ 519,656	\$ 430,164	\$ 299,707	\$ 5,657,211
Tuition	765,145	-	-	-	765,145
Other	1,018,370	3,492	36,357	282,855	1,341,074
State sources	8,761,476	6,070	1,239,353	2,104	10,009,003
Federal sources	671,953	-	-	-	671,953
<b>Total Revenue</b>	<b>15,624,628</b>	<b>529,218</b>	<b>1,705,874</b>	<b>584,666</b>	<b>18,444,386</b>
<b>Expenditures</b>					
Current					
Instruction					
Regular	7,168,040	-	-	62,357	7,230,397
Special	2,142,597	-	-	-	2,142,597
Other	2,089,004	-	-	282,292	2,371,296
<b>Total Instruction</b>	<b>11,399,641</b>	<b>-</b>	<b>-</b>	<b>344,649</b>	<b>11,744,290</b>
Support Services					
Student	487,106	-	-	-	487,106
Instructional staff	565,953	-	-	-	565,953
Administration	1,534,259	-	117,473	-	1,651,732
Operation and maintenance of plant	980,113	-	13,979	152,803	1,146,895
Transportation	433,019	-	172,545	27,045	632,609
<b>Total Support Services</b>	<b>4,000,450</b>	<b>-</b>	<b>303,997</b>	<b>179,848</b>	<b>4,484,295</b>
Other Expenditures					
Facilities acquisition	-	-	742,523	-	742,523
Long-Term Debt					
Principal	-	1,056,000	-	-	1,056,000
Interest and fiscal charges	-	81,278	-	-	81,278
AEA flowthrough	565,210	-	-	-	565,210
<b>Total Other Expenditures</b>	<b>565,210</b>	<b>1,137,278</b>	<b>742,523</b>	<b>-</b>	<b>2,445,011</b>
<b>Total Expenditures</b>	<b>15,965,301</b>	<b>1,137,278</b>	<b>1,046,520</b>	<b>524,497</b>	<b>18,673,596</b>
<b>Revenue Over (Under)</b>					
<b>Expenditures</b>	<b>(340,673)</b>	<b>(608,060)</b>	<b>659,354</b>	<b>60,169</b>	<b>(229,210)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	615,953	-	-	615,953
Transfers out	-	-	(615,953)	-	(615,953)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>615,953</b>	<b>(615,953)</b>	<b>-</b>	<b>-</b>
<b>Change in Fund Balances</b>	<b>(340,673)</b>	<b>7,893</b>	<b>43,401</b>	<b>60,169</b>	<b>(229,210)</b>
Fund Balances - Beginning of Year	1,734,072	79,637	1,224,119	741,542	3,779,370
<b>Fund Balances - End of Year</b>	<b>\$ 1,393,399</b>	<b>\$ 87,530</b>	<b>\$ 1,267,520</b>	<b>\$ 801,711</b>	<b>\$ 3,550,160</b>

See accompanying notes to the financial statements.

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2020

**Change in Fund Balances – Total Governmental Funds (Page 18)** **\$ (229,210)**

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the statement of activities and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense for the year are as follows:

Expenditures for capital outlays .....	\$ 431,056	
Depreciation expense .....	<u>(699,949)</u>	(268,893)

An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position in the internal service fund is reported with governmental activities in the statement of activities .....		(170,556)
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Instructional support surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.....		(7,842)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year repayment exceeded issuances as follows:

Issued .....	--	
Repaid .....	<u>1,284,221</u>	1,284,221

Amortization of premiums bonds payable did not provide or use current financial resources of governmental funds but it decreases deferred outflows of resources and liabilities in the statement of net position .....		5,586
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due .....

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.....		968,025
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement .....	\$ 36,411	
Pension expense.....	(1,923,511)	
Other postemployment benefits .....	<u>(140,796)</u>	(2,027,896)

**Change in Net Position of Governmental Activities (Page 15).....** **\$ (446,565)**

See accompanying notes to the financial statements.

# Statement of Net Position – Proprietary Funds

As of June 30, 2020

	Enterprise	Internal Service
	School Nutrition	Health Insurance
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash, cash equivalents and pooled investments	\$ 133,049	\$ 535,292
Accounts receivable	104,331	90
Inventories and prepaid expenses	25,537	5,467
<b>Total Current Assets</b>	<b>262,917</b>	<b>540,849</b>
<b>Capital Assets, Net of Accumulated Depreciation</b>	<b>40,066</b>	<b>-</b>
<b>Total Assets</b>	<b>302,983</b>	<b>540,849</b>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	54,497	-
OPEB related deferred outflows	8,800	-
<b>Total Deferred Outflows of Resources</b>	<b>63,297</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 366,280</b>	<b>\$ 540,849</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 75,067	\$ 39,975
Salaries and benefits payable	12,032	-
Unearned revenue	13,908	-
<b>Total Current Liabilities</b>	<b>101,007</b>	<b>39,975</b>
<b>Net Pension Liability</b>	<b>232,253</b>	<b>-</b>
<b>Total OPEB Liability</b>	<b>79,630</b>	<b>-</b>
<b>Total Liabilities</b>	<b>412,890</b>	<b>39,975</b>
<b>Deferred Inflows of Resources</b>		
Pension-related deferred inflows	34,434	-
OPEB-related deferred inflows	1,696	-
<b>Total Deferred Inflows of Resources</b>	<b>36,130</b>	<b>-</b>
<b>Net Position</b>		
Net investment in capital assets	40,066	-
Unrestricted	(122,806)	500,874
<b>Total Net Position</b>	<b>(82,740)</b>	<b>500,874</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 366,280</b>	<b>\$ 540,849</b>

See accompanying notes to the financial statements.



**Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds**  
Year Ended June 30, 2020

	<u>Enterprise</u>	<u>Internal Service Health Insurance</u>
	<b>School Nutrition</b>	
<b>Operating Revenue</b>		
Local Sources		
Charges for service	\$ 186,283	\$ -
Other receipts	7,653	-
Health insurance contributions	-	2,176,204
<b>Total Operating Revenue</b>	<b>193,936</b>	<b>2,176,204</b>
<b>Operating Expenses</b>		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits	477,028	-
Purchased services and supplies	372,470	-
Depreciation	16,075	-
Health insurance premiums, claims and fees	-	2,350,293
<b>Total Operating Expenses</b>	<b>865,573</b>	<b>2,350,293</b>
<b>Loss from Operations</b>	<b>(671,637)</b>	<b>(174,089)</b>
<b>Nonoperating Revenue</b>		
State sources	6,795	-
Federal sources	680,902	-
Interest on investments	1,546	3,534
<b>Total Nonoperating Revenue</b>	<b>689,243</b>	<b>3,534</b>
<b>Change in Net Position</b>	<b>17,606</b>	<b>(170,555)</b>
Net Position - Beginning of Year	(100,346)	671,429
<b>Net Position - End of Year</b>	<b>\$ (82,740)</b>	<b>\$ 500,874</b>

See accompanying notes to the financial statements.

## Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2020

	<u>Enterprise</u>	<u>Internal Service</u>
	<u>School Nutrition</u>	<u>Health Insurance</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from sale of lunches and breakfasts	\$ 117,556	\$ -
Cash received from other	7,653	-
Cash received from assessments made to other funds	-	2,176,114
Cash paid to employees for services	(436,631)	-
Cash paid to suppliers for goods or services	(264,605)	-
Cash paid for insurance premiums, claims and fees	-	(2,349,903)
<b>Net Cash Used in Operating Activities</b>	<b>(576,027)</b>	<b>(173,789)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State grants received	6,795	-
Federal grants received	628,188	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>634,983</b>	<b>-</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(4,775)	-
<b>Cash Flows From Investing Activities</b>		
Interest on investments	1,546	-
<b>Net Decrease in Cash, Cash Equivalents and Pooled Investments</b>	<b>55,727</b>	<b>(173,789)</b>
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	77,322	938,358
<b>Cash, Cash Equivalents and Pooled Investments - End of Year</b>	<b>\$ 133,049</b>	<b>\$ 764,569</b>
<b>Reconciliation of Loss From Operations to Net Cash Used in Operating Activities</b>		
Loss from operations	\$ (671,637)	\$ (174,089)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used	52,714	-
Depreciation	16,075	-
Changes in Assets and Liabilities		
Increase in receivables	(68,727)	(90)
Increase in inventories and prepaid expenses	(13,349)	-
Decrease in deferred outflows of resources	12,168	-
Increase in accounts payable	68,500	390
Increase in salaries and benefits payable	4,433	-
Decrease in net pension liability	(5,889)	-
Increase in total OPEB liability	12,114	-
Increase in deferred inflows of resources	17,571	-
<b>Net Cash Used in Operating Activities</b>	<b>\$ (576,027)</b>	<b>\$ (173,789)</b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2020, the District received \$64,311 of federal commodities.

See accompanying notes to the financial statements.

# Statement of Fiduciary Net Position – Fiduciary Funds

As of June 30, 2020

	Private Purpose Trust	
	Scholarship	Custodial
<b>Assets</b>		
Cash, cash equivalents and pooled investments	<u>\$ 33,988</u>	<u>\$ 16,203</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Payable	<u>\$ -</u>	<u>\$ 120</u>
<b>Net Position</b>		
Restricted for scholarships	33,988	-
Restricted for special purposes	-	16,083
<b>Total Net Position</b>	<u>33,988</u>	<u>16,083</u>
 <b>Total Liabilities and Net Position</b>	 <u>\$ 33,988</u>	 <u>\$ 16,203</u>

See accompanying notes to the financial statements.

## Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended June 30, 2020

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Custodial</b>
<b>Additions</b>		
Local Sources		
Gifts and contributions	\$ -	\$ 1,675
Interest income	432	25
Other	-	2,110
<b>Total Additions</b>	<b>432</b>	<b>3,810</b>
<b>Deductions</b>		
Student in need	-	434
<b>Change in Net Position</b>	<b>432</b>	<b>3,376</b>
Net Position - Beginning of Year, as restated (Note 15)	33,556	12,707
<b>Net Position - End of Year</b>	<b>\$ 33,988</b>	<b>\$ 16,083</b>

See accompanying notes to the financial statements.

## Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, special education and pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa and the predominate agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

#### Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organization

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Board.

#### Basis of Presentation

##### **Government-wide Financial Statements**

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

## Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

#### Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenue and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds are the School Nutrition Fund, a nonmajor enterprise fund, used to account for the food service operations of the District and the Health Insurance Fund, an internal service fund, used to account for the District's health insurance plan payments.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The *Private Purpose Trust Fund* is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The *Agency Fund* is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

## Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenue.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position**

The following accounting policies are followed in preparing the financial statements:

#### **Cash, Cash Equivalents and Pooled Investments**

The cash balances of most District funds are pooled and invested. Investments at Iowa Schools Joint Investment Trust (ISJIT) are stated at amortized cost and nonnegotiable certificates of deposit are stated at cost.

## Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

#### Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

#### Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

#### Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

#### Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2020. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land .....	\$ 2,000
Buildings and improvements .....	2,000
Intangibles .....	2,000
Furniture and Equipment	
School Nutrition Fund equipment .....	500
Other furniture and equipment .....	2,000



Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements .....	20 - 50 Years
Intangibles .....	5 - 10 Years
Furniture and equipment.....	4 - 20 Years

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District’s reporting period.

Salaries and Benefits Payable

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors

Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability was deemed to be immaterial as of June 30, 2020.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit

## Notes to the Financial Statements

### (1) Summary of Significant Accounting Policies

terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

#### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and instructional support surtax receivable not collected within sixty days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension and OPEB expense.

#### **Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

##### **Restricted**

Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

**Unassigned** – All amounts not included in the preceding classifications.

#### **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the instruction function. The District did not exceed its General Fund unspent authorized budget.

#### **Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Notes to the Financial Statements

### (2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments as of June 30, 2020, consisted of nonnegotiable certificates of deposits.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 615,953</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 236,668	\$ -	\$ -	\$ 236,668
Construction in progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>236,668</u>	<u>-</u>	<u>-</u>	<u>236,668</u>
Capital Assets Being Depreciated				
Buildings and improvements	20,808,306	168,723	-	20,977,029
Furniture and equipment	2,565,487	262,333	-	2,827,820
Total Capital Assets Being Depreciated	<u>23,373,793</u>	<u>431,056</u>	<u>-</u>	<u>23,804,849</u>
Less Accumulated Depreciation for				
Buildings and improvements	6,182,412	480,344	-	6,662,756
Furniture and equipment	1,571,775	219,605	-	1,791,380
Total Accumulated Depreciation	<u>7,754,187</u>	<u>699,949</u>	<u>-</u>	<u>8,454,136</u>
Total Capital Assets Being Depreciated, Net	<u>15,619,606</u>	<u>(268,893)</u>	<u>-</u>	<u>15,350,713</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>\$ 15,856,274</b></u>	<u><b>\$ (268,893)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 15,587,381</b></u>

## Notes to the Financial Statements

### (4) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Business-Type Activities</b>				
Furniture and equipment	\$ 252,014	\$ 4,775	\$ -	\$ 256,789
Less accumulated depreciation	200,648	16,075	-	216,723
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 51,366</b>	<b>\$ (11,300)</b>	<b>\$ -</b>	<b>\$ 40,066</b>

Depreciation/amortization expense was charged to the following functions:

#### Governmental Activities

Instruction	
Regular .....	\$ 397,793
Other .....	67,747
Support Services	
Administration .....	473
Operation and maintenance of plant .....	18,138
Transportation .....	134,418
	618,569
Unallocated .....	81,380
<b>Total Depreciation Expense - Governmental Activities .....</b>	<b>\$ 699,949</b>
<b>Business-Type Activities</b>	
Food service operations .....	<b>\$ 16,075</b>

### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 2,450,000	\$ -	\$ 470,000	\$ 1,980,000	\$ 480,000
Unamortized bond premium	27,929	-	5,586	22,343	5,586
Revenue bonds	1,827,000	-	1,186,000	641,000	-
Lease purchase	512,783	-	197,370	315,413	157,706
Early retirement	327,733	-	62,976	264,757	65,000
Net pension liability	7,680,104	-	190,414	7,489,690	-
Total OPEB liability	2,223,484	351,186	-	2,574,670	-
<b>Total</b>	<b>\$ 15,049,033</b>	<b>\$ 351,186</b>	<b>\$ 2,112,346</b>	<b>\$ 13,287,873</b>	<b>\$ 708,292</b>

## Notes to the Financial Statements

### (5) Long-Term Liabilities

	Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
<b>Business-Type Activities</b>					
Net pension liability	\$ 238,142	\$ -	\$ 5,889	\$ 232,253	\$ -
Total OPEB liability	67,516	12,114	-	79,630	-
<b>Total</b>	<b>\$ 305,658</b>	<b>\$ 12,114</b>	<b>\$ 5,889</b>	<b>\$ 311,883</b>	<b>\$ -</b>

### General Obligation Bonds

Details of the District's June 30, 2020 general obligation indebtedness are as follows:

Year Ending June 30,	Bonds Issued June 7, 2012			
	Interest Rates	Principal	Interest	Total
2021	2.00%	480,000	41,125	521,125
2022	2.00%	490,000	31,525	521,525
2023	2.00%	495,000	21,725	516,725
2024	2.00%	515,000	11,330	526,330
<b>Total</b>		<b>\$ 1,980,000</b>	<b>\$ 105,705</b>	<b>\$ 2,085,705</b>

On June 7, 2012, the District issued \$ 4,645,000 of general obligation bonds bearing interest at 2.00% per annum. During the year ended June 30, 2020, principal and interest paid were \$470,000 and \$50,525.

### Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bonds Issued December 15, 2017			
	Interest Rates	Principal	Interest	Total
2021	1.92%	-	-	-
2022	1.92%	611,000	6,441	617,441
2023	1.92%	30,000	288	30,288
2024	1.92%	-	-	-
<b>Total</b>		<b>\$ 641,000</b>	<b>\$ 6,729</b>	<b>\$ 647,729</b>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,377,000 of bonds issued in December 2017. The bonds were issued for the purpose of refunding the District's outstanding school infrastructure sales, services and use tax revenue bonds, series 2011 and paying the costs of issuing the bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through July 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$647,729. For the current year, \$1,227,366 of principal and interest was paid on the 2017 series

## Notes to the Financial Statements

### (5) Long-Term Liabilities

bonds and total statewide sales, services and use tax revenue was \$1,234,332. The current year payment included the July 1, 2020 payment of \$611,914, which the bonding company withdrew from the District's bank account three days early.

The resolution providing for the issuance of the statewide sales, services and use tax revenue refunding bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

The District was in compliance with all of the provisions during the year ended June 30, 2020.

### Capital Lease Obligation

In May, 2017, the District entered into a lease purchase agreement for 145 MacBook laptops. Final payment of \$39,666 was made during the year ended June 30, 2020.

In April, 2018, the District entered into a lease purchase agreement for 180 MacBook laptops. A payment of \$157,706 was made during the year ended June 30, 2020 and two remaining payments of \$157,706 are due annually through June 30, 2022.

### (6) Operating Lease

In October, 2010, the District entered into a lease for the use of the auditorium and gym at the former middle school. The annual lease payment of \$13,979 was made during the year ended June 30, 2020. The lease was extended for an additional five years, through October 2023.

In March, 2016, the District entered into a four-year lease for copiers that requires minimum monthly payments of \$3,730 plus miscellaneous charges starting in May, 2016. Total payments of \$51,090 were made during the year ended June 30, 2020.

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2020 are as follows:

#### Year Ending June 30,

2021 .....	\$ 14,468
2022 .....	14,974
2023 .....	15,499
2024 .....	16,041
	<u>\$ 60,982</u>

Rental expense was \$65,069 for all operating lease agreements during the year ended June 30, 2020.

## Notes to the Financial Statements

### (7) Pension and Retirement Benefits

#### Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

#### Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

#### Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

#### Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to one percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a

## Notes to the Financial Statements

### (7) Pension and Retirement Benefits

30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$968,025.

#### **Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2020, the District reported a liability of \$7,721,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2019, the District's proportion was 0.1333517%, which was an increase of 0.008226% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,420,462. As of June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience .....	\$ 21,407	\$ 277,641
Changes of assumptions .....	827,131	---
Net difference between projected and actual earnings on IPERS' investments .....	---	870,171
Changes in proportion and differences between District Contributions and proportionate share of contributions .....	---	---
District contributions subsequent to the measurement date .....	968,025	---
<b>Total.....</b>	<b><u>\$ 1,816,563</u></b>	<b><u>\$ 1,147,812</u></b>

\$968,025 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year Ending June 30,**

2021 .....	\$ 167,137
2022 .....	(185,730)
2023 .....	(127,761)
2024 .....	(137,036)
2025 .....	(15,884)
<b>Total.....</b>	<b><u>\$ (299,274)</u></b>

There were no non-employer contributing entities to IPERS.



## Notes to the Financial Statements

### (7) Pension and Retirement Benefits

#### Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment Expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
<b>Total</b>	<b><u>100.0%</u></b>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District’s proportionate share of the net pension liability .....	\$13,711,679	\$ 7,721,943	\$ 2,697,819

IPERS’ Fiduciary Net Position

Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS

As of June 30, 2020, the legally required District contributions and legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS were immaterial.

(8) Other Postemployment Benefits (OPEB)

Plan Description

The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. As of June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by Hampton-Dumont Community School District and are eligible to participate in the group health plan, and are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments .....	22
Active employees .....	<u>223</u>
<b>Total.....</b>	<b><u>245</u></b>

Total OPEB Liability

The District’s total OPEB liability of \$2,654,300 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

## Notes to the Financial Statements

### (8) Other Postemployment Benefits (OPEB)

#### Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	3.25% per annum.
Discount rate (effective June 30, 2020)	2.21% compounded annually.
Healthcare cost trend rate (effective June 30, 2020)	6.00% initial rate decreasing by 0.5% annually to an ultimate rate of 5.00%.

#### Discount Rate

The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from Pub-2010 mortality table with generational scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Total OPEB Liability – Beginning of Year.....	<u>\$ 2,291,000</u>
Changes for the Year	
Service cost.....	171,300
Interest .....	84,000
Differences between expected and actual experience .....	(24,900)
Changes of assumptions .....	265,000
Benefit payments.....	<u>(132,100)</u>
Net Changes.....	<u>363,300</u>
<b>Total OPEB Liability – End of Year .....</b>	<b><u>\$ 2,654,300</u></b>

Changes of assumptions reflect a change in the discount rate from 3.50% in fiscal year 2019 to 2.21% in fiscal year 2020.

#### Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate.

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB Liability.....	\$ 2,868,000	\$ 2,654,300	\$ 2,460,000

## Notes to the Financial Statements

### (8) Other Postemployment Benefits (OPEB)

#### Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current healthcare cost trend rate.

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability.....	\$ 2,442,000	\$ 2,654,300	\$ 2,906,000

#### OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$278,000. As of June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience .....	\$ ---	\$ (22,800)
Changes in assumptions .....	293,300	(33,700)
<b>Total.....</b>	<b><u>\$ 293,300</u></b>	<b><u>\$ (56,500)</u></b>

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021 .....	\$ 22,750
2022 .....	22,750
2023 .....	22,750
2024 .....	22,750
2025 .....	22,700
Later years .....	123,100
<b>Total.....</b>	<b><u>\$ 236,800</u></b>

### (9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### (10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$565,210 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## Notes to the Financial Statements

### (11) Early Retirement

In prior years, the District offered a voluntary early retirement plan for employees who were at least 55 years of age and had completed at least 15 years of continuous service to the District. The program was also offered for the year ended June 30, 2019. The benefit depends on the classification of the employee. For licensed staff, it consists of two parts. Part one is a cash payment of \$1,000 for each year of service, capped at \$25,000. The second part is a payment of \$100 for each unused sick day. These payments are deposited into an escrow account to be used for insurance premiums. Support staff receive 75 days per diem, deposited into an escrow account to be used for insurance premiums. The Board has complete discretion to offer or not offer an early retirement plan.

As of June 30, 2020, the District had obligations to 17 participants with a total liability of \$264,757. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$62,976.

### (12) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance unless transferred to the District's flexibility account.

The following is a schedule of the categorical funding restricted in the General Fund as of June 30, 2020.

<b>Program</b>	<b>Amount</b>
Home school assistance program.....	\$ 64
Gifted and talented programs .....	8,686
Four-year-old preschool program .....	12,136
Successful progression for early readers.....	13,115
Flexibility – Home school assistance program .....	41,473
<b>Total.....</b>	<b><u>\$ 75,474</u></b>

### (13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenue to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

#### **Tax Abatements of Other Entities**

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa.

## Notes to the Financial Statements

### (13) Tax Abatements

Property tax revenue of the District were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
Franklin County	Urban Renewal and Economic Development Projects	\$ 475,253

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$229,837.

### (14) Subsequent Events

Management has evaluated subsequent events through May 11, 2021, the date which the financial statements were available to be issued.

### (15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	Fiduciary Activities-	
	Scholarship	Custodial Accounts
Net position June 30, 2019, as previously reported	\$ 33,556	\$ -
Change to implement GASBS No. 84	-	12,707
Net position July 1, 2019, as restated	<u>\$ 33,556</u>	<u>\$ 12,707</u>

### (16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, *Leases*. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

## **Required Supplementary Information**

**Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances – Budget to Actual – All Governmental Funds and Proprietary Fund**

Year Ended June 30, 2020

	<u>Actual</u>			Original and	Over
	Govern- mental Funds	Proprietary Fund	Total	Final Budgeted Amounts	(Under) Budget
<b>Revenue</b>					
Local sources	\$ 7,763,430	\$ 195,482	\$ 7,958,912	\$ 8,020,274	\$ (61,362)
State sources	10,009,003	6,795	10,015,798	10,057,616	(41,818)
Federal sources	671,953	680,902	1,352,855	1,131,236	221,619
<b>Total Revenue</b>	<b><u>18,444,386</u></b>	<b><u>883,179</u></b>	<b><u>19,327,565</u></b>	<b><u>19,209,126</u></b>	<b><u>118,439</u></b>
<b>Expenditures</b>					
Instruction	11,744,290	-	11,744,290	11,490,000	254,290
Support Services	4,484,295	-	4,484,295	4,659,407	(175,112)
Noninstructional programs	-	865,573	865,573	899,000	(33,427)
Other expenditures	2,445,011	-	2,445,011	2,649,296	(204,285)
<b>Total Expenditures</b>	<b><u>18,673,596</u></b>	<b><u>865,573</u></b>	<b><u>19,539,169</u></b>	<b><u>19,697,703</u></b>	<b><u>(158,534)</u></b>
<b>Revenue Over (Under)</b>					
<b>Expenditures</b>	<b>(229,210)</b>	<b>17,606</b>	<b>(211,604)</b>	<b>(488,577)</b>	<b>276,973</b>
Fund Balances - Beginning of Year	<u>3,779,370</u>	<u>(100,346)</u>	<u>3,679,024</u>	<u>3,613,517</u>	<u>65,507</u>
<b>Fund Balances - End of Year</b>	<b><u>\$ 3,550,160</u></b>	<b><u>\$ (82,740)</u></b>	<b><u>\$ 3,467,420</u></b>	<b><u>\$ 3,124,940</u></b>	<b><u>\$ 342,480</u></b>

See accompanying independent auditor's report



## **Notes to Required Supplementary Information – Budgetary Reporting**

Year Ended June 30, 2020

This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust funds and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, reallocating budgeted expenditures from instruction to total support services.

During the year ended June 30, 2020, expenditures in the instruction function exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Schedule of District’s Proportionate Share of the Net Pension Liability –  
Iowa Public Employees’ Retirement System  
Last Six Years\*

	2020	2019	2018	2017	2016	2015
District’s proportion of the net pension liability.....	0.1333517%	0.125126%	0.121715%	0.118949%	0.124695%	0.124373%
District’s proportionate share of the net pension liability.....	\$ 7,721,943	\$7,918,246	\$8,107,724	\$7,485,805	\$6,160,555	\$5,033,474
District’s covered payroll .....	\$10,149,000	\$9,402,000	\$9,085,000	\$8,536,000	\$8,544,000	\$8,309,000
District’s proportionate share of the net pension liability as a percentage of its covered payroll .....	76.09%	84.22%	89.24%	87.70%	72.10%	60.58%
IPERS’ net position as a percentage of the total pension liability .....	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor’s report.

Schedule of District’s Contributions –  
Iowa Public Employees’ Retirement System  
Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Saturorily required contribution.....	\$ 968,025	\$ 958,019	\$ 839,808	\$ 811,326	\$ 762,281	\$ 762,869	\$ 741,638	\$ 667,054	\$ 611,292	\$ 520,270
Contributions in relation to the statutorily required contribution ....	<u>(968,025)</u>	<u>(958,019)</u>	<u>(839,808)</u>	<u>(811,326)</u>	<u>(762,281)</u>	<u>(762,869)</u>	<u>(741,638)</u>	<u>(667,054)</u>	<u>(611,292)</u>	<u>(520,720)</u>
Contribution deficiency (excess)....	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
District’s covered payroll .....	\$ 10,255,000	\$ 10,149,000	\$ 9,402,000	\$ 9,085,000	\$ 8,536,000	\$ 8,544,000	\$ 8,309,000	\$ 7,693,000	\$ 7,571,000	\$ 7,482,000
Contributions as a percentage of covered payroll.....	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor’s report.

## Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2020

### Changes of benefit terms

There are no significant changes in benefit terms.

### Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Schedule of Changes in the District’s Total OPEB Liability, Related Ratios and Notes

For the Last Three Years

	2020	2019	2018
Service cost .....	\$ 171,300	\$ 166,100	\$ 159,907
Interest .....	84,000	86,500	85,334
Differences between expected and actual experience .....	(24,900)	---	---
Changes of assumptions .....	265,000	63,483	(47,059)
Benefit payments .....	<u>(132,100)</u>	<u>(188,350)</u>	<u>(160,512)</u>
Net Change in Total OPEB Liability .....	363,300	127,733	37,670
Total OPEB Liability – Beginning of Year .....	<u>2,291,000</u>	<u>2,163,267</u>	<u>2,125,597</u>
<b>Total OPEB Liability – End of Year .....</b>	<b>\$ 2,654,300</b>	<b><u>\$ 2,291,000</u></b>	<b><u>\$ 2,163,267</u></b>
 <b>Covered Employee Payroll.....</b>	 <b>\$ 9,349,000</b>	 <b>\$ 8,616,000</b>	 <b>\$ 8,324,203</b>
 <b>Total OPEB Liability as a Percentage of Covered-Employee Payroll.....</b>	 <b>28.39%</b>	 <b>26.59%</b>	 <b>25.99%</b>

Notes to Schedule of Changes in the District’s Total OPEB Liability and Related Ratios

**Changes in benefit terms**  
There were no significant changes in benefit terms.

**Changes in assumptions**

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.51%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	4.50%
Year ended June 30, 2017	4.25%

**Hampton-Dumont Community School District**

## **Supplementary Information**

## Combining Balance Sheet – Nonmajor Governmental Funds

As of June 30, 2020

	<b>Special Revenue</b>		
	<b>Student Activity</b>	<b>Management Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 195,445	\$ 646,048	\$ 841,493
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	-	2,925	2,925
Succeeding year	-	-	-
Accounts	762	4,166	4,928
<b>Total Assets</b>	<b>\$ 196,207</b>	<b>\$ 653,139</b>	<b>\$ 849,346</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 23,482	\$ 24,153	\$ 47,635
<b>Total Liabilities</b>	<b>23,482</b>	<b>24,153</b>	<b>47,635</b>
<b>Fund Balances</b>			
Restricted for:			
Student activities	172,725	-	172,725
Management levy purposes	-	628,986	628,986
<b>Total Fund Balances</b>	<b>172,725</b>	<b>628,986</b>	<b>801,711</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 196,207</b>	<b>\$ 653,139</b>	<b>\$ 849,346</b>

See accompanying independent auditor's report.



**Combining Schedule of Revenue, Expenditures and Changes in Fund Balances –  
Nonmajor Governmental Funds**

Year Ended June 30, 2020

	<b>Special Revenue</b>		
	<b>Student Activity</b>	<b>Management Levy</b>	<b>Total</b>
<b>Revenue</b>			
Local Sources			
Local tax	\$ -	\$ 299,707	\$ 299,707
Other	274,212	8,643	282,855
State sources	-	2,104	2,104
<b>Total Revenue</b>	<b>274,212</b>	<b>310,454</b>	<b>584,666</b>
<b>Expenditures</b>			
Current			
Instruction			
Regular	-	62,357	62,357
Other	282,292	-	282,292
Total Instruction	282,292	62,357	344,649
Support Services			
Operation and maintenance of plant	-	152,803	152,803
Transportation	-	27,045	27,045
Total Support Services	-	179,848	179,848
<b>Total Expenditures</b>	<b>282,292</b>	<b>242,205</b>	<b>524,497</b>
<b>Change in Fund Balances</b>	<b>(8,080)</b>	<b>68,249</b>	<b>60,169</b>
Fund Balances - Beginning of Year	180,805	560,737	741,542
<b>Fund Balances - End of Year</b>	<b>\$ 172,725</b>	<b>\$ 628,986</b>	<b>\$ 801,711</b>

See accompanying independent auditor's report

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
Year ended June 30, 2020

<b>Account</b>	<b>Balance- Beginning of Year</b>	<b>Revenue</b>	<b>Expenditures</b>	<b>Balance- End of Year</b>
IT Adventures Club	\$ 437	\$ -	\$ -	\$ 437
Book Club	276	-	-	276
Character Counts	533	-	-	533
Key Club	922	1,174	1,165	931
MS Cheerleading	37	-	-	37
HS Cheerleading	4,222	3,885	8,107	-
Drama Club	1,797	-	13	1,784
FBL	389	-	-	389
FCA	21	-	-	21
FCCLA	2,339	-	-	2,339
FFA	10,809	4,688	10,730	4,767
Future Teachers	1,406	-	-	1,406
Spanish Club	2,057	-	-	2,057
Mock Trial	-	175	175	-
SADD	4,435	205	62	4,578
Student Council	4,739	1,066	4,018	1,787
Drill Team	8,443	-	-	8,443
Dramatics - Plays and Musicals	5,734	3,175	3,079	5,830
HS Instrumental Music	-	2,631	2,631	-
HS Instrumental Uniform	895	-	-	895
HS Music - Vocal	-	1,026	1,026	-
HS Vocal Uniform	3,612	-	-	3,612
MS Vocal Uniform	1,418	-	594	824
Speech	5,583	8,673	5,232	9,024
MS Instrumental Uniform	1,254	-	-	1,254
MS Yearbook	4,909	1,397	2,649	3,657
HS Yearbook	6,667	4,834	9,051	2,450
MS Success Center	849	-	-	849
HS Success Center	1,629	1,940	1,003	2,566
Bulldog Club	-	17,891	3,000	14,891
Bulldog TV	2,887	32,900	9,136	26,651
Production Class	460	-	-	460
Class of 2019	1,222	-	-	1,222
Class of 2020	826	200	326	700
Class of 2021	468	1,200	300	1,368
Class of 2022	219	2,341	-	2,560

See accompanying independent auditor's report

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
Year ended June 30, 2020

<b>Account</b>	<b>Balance- Beginning of Year</b>	<b>Revenue</b>	<b>Expenditures</b>	<b>Balance- End of Year</b>
HS PBIS	\$ -	\$ 988	\$ 988	\$ -
MS PBIS	6,872	4,345	1,769	9,448
NS PBIS	-	319	99	220
SS PBIS	-	715	171	544
Bulldog Byte	19	-	-	19
Cross Country	2,134	10	1,404	740
MS Basketball - Boys	-	5,076	5,076	-
HS Basketball - Boys	10,361	5,870	8,748	7,483
MS Football	-	2,471	2,471	-
HS Football	3,865	26,938	30,803	-
Baseball	-	4,578	4,162	416
HS Boys Track	3,101	551	2,520	1,132
Chess Club	-	318	318	-
Golf - Boys	367	554	-	921
MS Wrestling	-	1,866	1,866	-
HS Wrestling	2,375	6,709	5,255	3,829
MS Basketball - Girls	-	4,686	4,686	-
HS Basketball - Girls	5,927	5,215	5,533	5,609
MS Volleyball	-	913	913	-
HS Volleyball	11,155	8,005	5,493	13,667
Tennis - Boys	-	88	88	-
Tennis - Girls	-	21	21	-
Softball	3,393	2,500	2,560	3,333
HS Girls Track	6,958	279	905	6,332
Golf - Girls	551	338	889	-
MS Weightlifting	893	3,253	2,805	1,341
MS Activity	204	180	-	384
HS Activity	9,565	18,240	27,805	-
Game Host	-	8,873	8,811	62
HS Concession Fund Balance	31,011	7,359	30,283	8,087
Soccer - Boys	-	1,589	1,589	-
Soccer - Girls	-	1,334	1,334	-
Student Planning Committee	290	-	-	290
Freshmen Mentor/Ambassador	270	-	-	270
	<b>\$ 180,805</b>	<b>\$213,582</b>	<b>\$ 221,662</b>	<b>\$ 172,725</b>

See accompanying independent auditor's report.

**Combining Balance Sheet –  
Capital Projects Fund Accounts**

Year Ended June 30, 2020

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 422,480	\$ 108,033	\$ 530,513
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	-	5,853	5,853
Succeeding year	-	431,861	431,861
Other	-	18,046	18,046
Prepaid payment	611,914	-	611,914
Due from other governments	103,948	-	103,948
<b>Total Assets</b>	<b>\$ 1,138,342</b>	<b>\$ 563,793</b>	<b>\$ 1,702,135</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,754	\$ -	\$ 2,754
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue			
Succeeding year property tax	-	431,861	431,861
<b>Fund Balances</b>			
Restricted for:			
School infrastructure	1,135,588	-	1,135,588
Physical plant and equipment	-	131,932	131,932
<b>Total Fund Balances</b>	<b>1,135,588</b>	<b>131,932</b>	<b>1,267,520</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,138,342</b>	<b>\$ 563,793</b>	<b>\$ 1,702,135</b>

See accompanying independent auditor's report

**Combining Balance Sheet –  
Capital Projects Fund Accounts**

Year Ended June 30, 2020

	<b>Capital Projects</b>		
	<b>Statewide, Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Revenue</b>			
Local Sources			
Local tax	\$ -	\$ 419,525	\$ 419,525
Other	39,539	48,512	88,051
State sources	1,230,342	10,086	1,240,428
<b>Total Revenue</b>	<b>1,269,881</b>	<b>478,123</b>	<b>1,748,004</b>
<b>Expenditures</b>			
Current			
Support Services			
Instructional staff	20,371	415,269	435,640
Administration	-	52,843	52,843
Operation and maintenance of plant	-	13,506	13,506
Transportation	-	100,699	100,699
Total Support Services	20,371	582,317	602,688
Other Expenditures			
Facilities acquisition	887,339	23,665	911,004
<b>Total Expenditures</b>	<b>907,710</b>	<b>605,982</b>	<b>1,513,692</b>
<b>Revenue Over Expenditures</b>	<b>362,171</b>	<b>(127,859)</b>	<b>234,312</b>
<b>Other Financing Uses</b>			
Transfers out	(593,387)	-	(593,387)
<b>Change in Fund Balances</b>	<b>(231,216)</b>	<b>(127,859)</b>	<b>(359,075)</b>
Fund Balances - Beginning of Year	1,115,270	467,925	1,583,195
<b>Fund Balances - End of Year</b>	<b>\$ 884,054</b>	<b>\$ 340,066</b>	<b>\$ 1,817,507</b>

See accompanying independent auditor's report.

**Schedule of Revenue by Source and Expenditures by Function –  
All Governmental Fund Types (Modified Accrual Basis)**

Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenue</b>										
Local Sources										
Local tax	\$ 5,657,211	\$ 5,686,781	\$ 5,561,782	\$ 5,339,318	\$ 5,263,157	\$ 5,161,176	\$ 5,083,260	\$ 6,132,509	\$ 6,175,471	\$ 5,666,628
Tuition	765,145	1,032,851	616,576	573,536	465,129	387,847	405,762	433,545	470,494	365,882
Other	1,341,074	1,285,129	876,481	726,824	562,696	697,294	574,846	510,613	758,089	536,922
Intermediate sources	-	-	2,086	-	2,306	-	-	6,700	9,240	-
State sources	10,009,003	9,887,572	9,867,417	9,990,919	9,897,186	9,223,244	8,831,785	7,238,885	7,141,572	6,825,588
Federal sources	671,953	705,173	619,905	834,532	838,532	856,093	984,015	812,572	990,319	793,066
<b>Total</b>	<b>\$ 18,444,386</b>	<b>\$ 18,597,506</b>	<b>\$ 17,544,247</b>	<b>\$ 17,465,129</b>	<b>\$ 17,029,006</b>	<b>\$ 16,325,654</b>	<b>\$ 15,879,668</b>	<b>\$ 15,134,824</b>	<b>\$ 15,545,185</b>	<b>\$ 14,188,086</b>
<b>Expenditures</b>										
Instruction	\$ 11,744,290	\$ 12,046,161	\$ 10,913,366	\$ 10,652,376	\$ 10,130,476	\$ 10,105,497	\$ 10,063,053	\$ 9,125,513	\$ 8,902,293	\$ 8,666,395
Support Services										
Student	487,106	424,938	412,731	431,058	390,994	374,643	369,232	353,159	381,698	343,821
Instructional staff	565,953	951,146	561,928	775,652	614,118	1,145,486	837,752	711,817	576,618	794,057
Administration	1,651,732	1,566,678	1,401,175	1,380,184	1,235,001	1,300,987	1,288,193	1,222,975	1,026,923	1,004,631
Operation and maintenance of plant	1,146,895	1,110,880	1,051,953	1,052,300	1,033,344	1,014,599	1,019,369	980,639	858,475	862,776
Transportation	632,609	591,350	731,923	531,565	480,122	496,587	408,120	466,924	370,237	563,898
Other Expenditures										
Facilities acquisition	742,523	911,004	380,904	665,650	1,002,837	1,054,275	223,118	207,486	2,554,563	2,714,554
Long-Term Debt										
Principal	1,056,000	1,005,000	3,966,892	1,106,891	1,047,225	705,000	580,000	480,000	1,723,145	570,000
Interest and fiscal charges	81,278	103,562	173,997	200,430	220,175	236,322	371,802	384,691	420,929	304,733
AEA flowthrough	565,210	559,110	555,629	546,652	555,282	541,051	516,972	481,980	487,060	533,139
<b>Total</b>	<b>\$ 18,673,596</b>	<b>\$ 19,269,829</b>	<b>\$ 20,150,498</b>	<b>\$ 17,342,758</b>	<b>\$ 16,709,574</b>	<b>\$ 16,974,447</b>	<b>\$ 15,677,611</b>	<b>\$ 14,415,184</b>	<b>\$ 17,301,941</b>	<b>\$ 16,358,004</b>

See accompanying independent auditor’s report.

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b>U.S. Department of Agriculture - Indirect</b>			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 20	\$ 90,788
National School Lunch Program	10.555	FY 20	353,506 *
CARES -National School Lunch Program	10.555	FY 20	84,916
Summer Food Service Program for Children	10.559	FY 20	126,278
Total Child Nutrition Cluster			<u>655,488</u>
Team Nutrition Grant	10.574	FY 20	500
Fresh Fruit and Vegetable Program	10.582	FY 20	24,914
<b>Total U.S. Department of Agriculture</b>			<u><b>680,902</b></u>
<b>U.S. Department of Education - Indirect</b>			
Pass-Through From Central Rivers Area			
Education Agency			
Special Education Cluster			
Special Education Grants to States	84.027	FY 20	<u>59,213</u>
Pass-Through from Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 20	<u>377,973</u>
Career and Technical Education - Basic			
Grants to States	84.048	FY 20	<u>14,290</u>
Improving Teacher Quality State Grants	84.367	FY 20	<u>43,782</u>
Student Support and Academic Enrichment			
Program	84.424	FY 20	<u>32,415</u>
CARES - Emergency Relief	84.425D	FY 20	<u>2,275</u>
Total Pass-Through From Iowa			
Department of Education			<u>470,735</u>
<b>Total U.S. Department of Education</b>			<u><b>529,948</b></u>
<b>Total</b>			<u><b>\$ 1,210,850</b></u>

\*Includes \$52,160 of noncash awards.

See accompanying independent auditor's report.

## **Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2020

### **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Hampton-Dumont Community School District under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Hampton-Dumont Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Hampton-Dumont Community School District.

### **Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Indirect Cost Rate**

Hampton-Dumont Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.



**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Education  
Hampton-Dumont Community School District  
Hampton, Iowa

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated May 11, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Hampton-Dumont Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hampton-Dumont Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item II-A-20 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

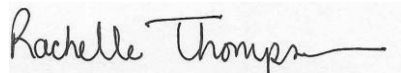
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Hampton-Dumont Community School District's Responses to the Findings**

Hampton-Dumont Community School District's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. Hampton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA, PLLC  
Hampton, Iowa

May 11, 2021

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance**

Board of Education  
Hampton-Dumont Community School District  
Hampton, Iowa

**Report on Compliance for Each Major Federal Program**

I have audited Hampton-Dumont Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Hampton-Dumont Community School District's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Hampton-Dumont Community School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for each of the major federal programs. However, my audit does not provide a legal determination of Hampton-Dumont Community School District's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Hampton-Dumont Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

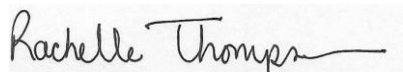
The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Hampton-Dumont Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. I identified a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-20 I consider to be a material weakness.

Hampton-Dumont Community School District's response to the internal control over compliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Hampton-Dumont Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA, PLLC  
Hampton, Iowa

May 11, 2021

## Schedule of Findings and Questioned Costs

Year ended June 30, 2020

### Part I: Summary of the Independent Auditor's Results:

#### Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	<input checked="" type="checkbox"/> _X_	<input type="checkbox"/> no
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> _X_ none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> _X_ no

#### Federal Awards

Internal control over major program:		
Material weakness identified?	<input checked="" type="checkbox"/> _X_	<input type="checkbox"/> no
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> _X_ none reported
Type of auditor's report issued on compliance for Major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with Section 200.516 of the Uniform Guidance?	<input checked="" type="checkbox"/> _X_	<input type="checkbox"/> no
Identification of major program:		

#### CFDA Numbers

10.553  
10.555  
10.559

#### Name of Federal Program or Cluster

Child Nutrition Cluster  
School Breakfast Program  
National School Lunch Program  
Summer Food Service Program  
for Children

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> _X_ no

## **Part II: Findings Related to the Financial Statements:**

### **INSTANCES OF NON-COMPLIANCE**

No matters were noted.

### **INTERNAL CONTROL DEFICIENCIES**

#### **II-A-20 Segregation of Duties**

**Criteria** – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

**Condition** – Various duties that should be segregated for each transaction including authorization, custody and recording are not each properly performed by a different employee.

**Cause** – The District has a limited number of staff to complete these duties and procedures have not been designed to adequately segregate the duties or provide compensating controls through additional oversight of transactions and processes.

**Effect** – The potential effect of this control weakness is that fraud or errors could occur and not be detected by management or others within the District in a reasonable period of time.

**Auditor's Recommendation** – I realize segregation of duties is difficult with a limited number of business office employees. However, the District should continually review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

**Auditor's Conclusion** – Response accepted.

## **Part III: Findings and Questioned Costs For Federal Awards:**

### **INSTANCES OF NON-COMPLIANCE**

No matters were noted.

### **INTERNAL CONTROL DEFICIENCY**

#### **All Programs Displayed on the Schedule of Expenditures of Federal Awards**

#### **III-A-20 Segregation of Duties (2020-001)**

As previously identified in the fiscal year 2018 audit report, adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding II-A-20 for additional information.

#### **Part IV: Other Findings Related To Required Statutory Reporting:**

**IV-A-20 Certified Budget** – Expenditures for the year ended June 30, 2020 exceeded the certified budget amounts in the instruction function.

**Auditor's Recommendation** – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

**District's Response** – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

**Auditor's Conclusion** – Response accepted.

**IV-B-20 Questionable Expenditures** – No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**IV-C-20 Travel Expense** – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**IV-D-20 Business Transactions** – Business transactions between the District and District officials or employees are detailed as follows:

<b>Name, Title / Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
Tom Birdsell, Board member / Insurance Agent	District insurance	\$255,668

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction may represent a conflict of interest.

**Auditor's Recommendation** – Chapter 279.7A of the Code of Iowa states that a Board member cannot have a direct or indirect interest in the contract of goods or services of the District where the Board member would derive a benefit of over \$2,500.

In the future, the Board of Education should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District's entire Board of Education. Board members that have an affiliation with the businesses should recuse himself/herself from voting on the approval of the bid. The approval of the bid with any recusals of Board members should be noted in the Board minutes to avoid the appearance of conflict of interest. I recommend the District contact its legal counsel regarding this issue.

**District's Response** – The District and its Board of Education will follow policy related to competitive bidding process when practical and any Board member recusals will be noted in the Board minutes.

**Auditor's Conclusion** – Response accepted.

**IV-E-20 Restricted Donor Activity** – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**IV-F-20 Bond Coverage** – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

**IV-G-20 Board Minutes** – No transactions were found that I believe should have been approved in the Board minutes but were not.

**IV-H-20 Certified Enrollment** – A variance in the basic enrollment data certified to the Iowa Department of Education was noted due to two student being funded but not enrolled. The variance resulted in a decrease of 2.00.

**Auditor's Recommendation** – The District should develop procedures to ensure accurate counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

**District's Response** – The District will contact the Iowa Department of Education and Iowa Department of Management notifying them of the above changes. The District will continue to monitor and review enrollment data submitted to the Iowa Department of Education.

**Auditor's Conclusion** – Response accepted.

**IV-I-20 Supplementary Weighting** – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**IV-J-20 Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**IV-K-20 Certified Annual Report** – The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

**IV-L-20 Categorical Funding** – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**IV-M-20 Statewide Sales, Services and Use Tax** – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:



Beginning balance		\$ 884,054
Revenue		
Statewide sales, services and use tax revenue	\$ 1,234,332	
Other local revenue	<u>11,743</u>	1,246,075
Expenditures/Transfers Out		
School infrastructure construction	\$ 370,812	
Miscellaneous	<u>7,776</u>	
Transfer to Other Funds		
Debt Service Fund	<u>615,953</u>	<u>994,541</u>
<b>Ending Balance</b>		<b><u>\$ 1,135,588</u></b>

For the year ended June 30, 2020, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	<b>Rate of Levy Reduction Per \$1,000 Of Taxable Valuation</b>	<b>Property Tax Dollars Reduced</b>
Debt service levy	\$ 0.019	\$ 7,800

**IV-N-20 Deficit Balances** – The District reported a \$82,740 deficit School Nutrition Fund net position balance as of June 30, 2020.

**Auditor's Recommendation** – The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.

**District's Response** – The deficit is the result of recognizing the District's proportionate share of IPERS' net pension liability. The District realizes this liability is not due and payable immediately. Rather, the pension liability will be paid down over a period of time with the District's future employer share of IPERS contributions.

**Auditor's Conclusion** – Response accepted.

**IV-O-20 Unclaimed Property** – The District did not report unclaimed property as required by Chapter 556 of the Code of Iowa to the State Treasurer of Iowa.

**Auditor's Recommendation** – The District should monitor unclaimed property and submit a report to the State Treasurer of Iowa annually in accordance with Chapter 556 of the Code of Iowa.

**District's Response** – We will implement procedures to monitor and report unclaimed property.

**Auditor's Conclusion** – Response accepted.